

Message Text

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12
ORIGIN EB-11

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TO AMEMBASSY MEXICO
AMEMBASSY OTTAWA

UNCLAS STATE 183680

E.O. 11652:N/A

TAGS: EIND, ETRD, CA, MX

SUBJECTUS FERROUS SCRAP EXPORTS

REF: STATE 182043

1. FOLLOWING COMPLETE TEXT OF COMMERCE DEPT SEPT 12
ANNOUNCEMENT SUSPENDING ISSUANCE OF EXPORT LICENSES FOR
UNDER-500 TON FERROUS SCRAP ORDERS BEING PROVIDED ADDRESSEE
POSTS TELEGRAPHICALLY SINCE CANADA AND MEXICO ARE PRINCIPAL
DESTINATIONS FOR UNDER-500 TON ORDERS:

A. BEGIN TEXT. THE U.S. DEPARTMENT OF COMMERCE TO-
DAY ANNOUNCED THAT LICENSING OF FERROUS SCRAP EXPORTS
AGAINST ORDERS OF LESS THAN 500 SHORT TONS IS SUSPENDED
EFFECTIVE IMMEDIATELY FOR SEPTEMBER EXPORTS EXCEPT FOR SUCH
ORDERS FOR EXPORT OF STAINLESS STEEL SCRAP, WHICH WILL
CONTINUE TO BE LICENSED REGARDLESS OF WHEN ACCEPTED.

B. THIS ACTION IS A MODIFICATION OF THE LICENS-
ING PROCEDURE ANNOUNCED AUGUST 24. AT THAT TIME THE
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DEPARTMENT STATED LICENSES WOULD BE ISSUED AGAINST SUCH

ORDERS REGARDLESS OF WHEN THEY WERE ACCEPTED AND THAT THE VALIDITY PERIOD OF THESE LICENSES WOULD BE 30 DAYS FROM THE DATE OF ISSUANCE. THE DEPARTMENT ALSO WARNED EXPORTERS THAT "IN THE EVENT THE VOLUME OF EXPORTS UNDER THE LICENSING PROCEDURE. . . . REACHES AN UNACCEPTABLE LEVEL, FUR-

THER RESTRICTIONS MAY BE IMPOSED ON EXPORTS AGAINST ORDERS OF LESS THAN 500 SHORT TONS."

C. LICENSES ISSUED DURING THE MONTH OF AUGUST FOR ORDERS OF LESS THAN 500 SHORT TONS TOTLED 198,715 SHORT TONS, OR 14 PERCENT OF THE TOTAL AMOUNT OF FERROUS SCRAP LICENSED DURING THAT MONTH. THIS COMPARES WITH 102,965 SHORT TONS LICENSED FOR ORDERS OF LESS THAN 500 SHORT TONS IN JULY WHICH REPRESENTED ONLY 5 PERCENT OF TOTAL EXPORTS LICENSED FOR JULY.

D. THIS LARGE INCREASE BOTH ON A TONNAGE BASIS, AND AS A PERCENTAGE OF TOTAL LICENSES ISSUED MAKES IT QUITE CLEAR THAT THE OUTFLOW OF FERROUS SCRAP THROUGH SMALL ORDERS COULD IMPAIR THE EFFECTIVENESS OF THE ENTIRE LICENSING PROGRAM FOR THAT COMMODITY. THE NEED FOR PROMPT DEPARTMENT ACTION BECAME EVEN MORE EVIDENT DURING THE FIRST PART OF SEPTEMBER, WHEN THE RATE OF LICENSE APPLICATIONS AGAINST SMALL ORDERS INCREASED TO A LEVEL WHICH WAS SUBSTANTIALLY EXCEEDING EVEN THE AUGUST RATE.

E. IN TAKING THIS ACTION THE DEPARTMENT DECIDED TO CONTINUE ITS PREVIOUS LICENSING POLICY FOR SMALL ORDERS OF STAINLESS STEEL SCRAP BECAUSE THAT PARTICULAR TYPE OF SCRAP HAS TRADITIONALLY BEEN ORDERED AND EXPORTED IN SMALL QUANTITIES. MOREOVER, LICENSES FOR EXPORT OF STAINLESS STEEL SCRAP AGAINST ORDERS OF LESS THAN 500 TONS IN AUGUST TOTALLED 3,562 SHORT TONS, LESS THAN 2 PERCENT OF LICENSES FOR ALL SMALL ORDERS OF FERROUS SCRAP.

F. FOR ORDERS OF LESS THAN 500 SHORT TONS, OTHER THAN FOR STAINLESS STEEL SCRAP, ONLY THOSE APPLICATIONS FILED ON OR BEFORE SEPTEMBER 10 HAVE BEEN LICENSED. THE TOTAL TONNAGE COVERED BY THESE LICENSES IS APPROXIMATELY UNCLASSIFIED

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73,000 SHORT TONS, OF WHICH 40,000 TONS ARE FOR CANADA AND 22,000 TONS FOR MEXICO. THE TOTAL OF 73,000 SHORT TONS WOULD REPRESENT APPROXIMATELY 9 PERCENT OF THE TOTAL WHICH WE EXPECT TO LICENSE FOR SEPTEMBER.

G. THE DEPARTMENT WILL CONTINUE TO MONITOR THE FERROUS SCRAP SUPPLY/DEMAND SITUATION CLOSELY AND DECISIONS ON FUTURE LICENSING POLICY WILL BE BASED ON OUR FINDINGS.

AN ANNOUNCEMENT OF THE LICENSING POLICY FOR OCTOBER,
COVERING ORDERS OF 500 SHORT TONS OR MORE, AS WELL AS THOSE
OF LESS THAN 500 SHORT TONS, WILL BE MADE LATER THIS
MONTH. END TEXT. RUSH

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